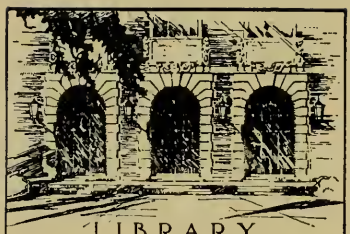

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ON THE

RELATION

OF

CORN AND CURRENCY.

LONDON:

JOHN MURRAY, ALBEMARLE-STREET.

1819.

OBSERVING many erroneous or very questionable notions to be prevalent in respect of the important topic of a paper-currency; or for my own part entertaining opinions which are not precisely conformable to predominant ideas on that subject; I purpose to submit my sentiments to the public as briefly and clearly as I am able to express them. I shall offer no further preface nor apology: premising only that I am no inexperienced *theorist;* nor yet an interested *practical* man; though not altogether unused to the study and application of political economy.

The actual depreciation of bank-notes and paper-currency is not, as I apprehend, occasioned by an excessive issue of notes of the Bank of England, or of other banks, nor even exchequer-bills, much as these have been overdone; but by the subsisting corn-laws: and the value of paper-money must and will continue to fluctu-

ate, and very widely so, until one of two measures shall be adopted: resumption of cash-payments, or amendment of the corn-laws. It is to be apprehended even, that the first of those measures may not be entirely effectual to restore the steadiness of a metallic standard of value, without the other.

While cash-payments are suspended, and a paper-currency maintained, which is not convertible into gold or silver; corn, and not gold nor silver, is the real measure of value. There is no other present standard of estimation in Great Britain. The bank-note, together with the exchequer-bill, and every other sort of paper currency, now in circulation, is not to be converted into bullion, nor exchanged for a determinate quantity of gold or silver, unless at an uncertain and indefinitely distant time. The present exigible payment is a set-off or credit in discharge of some debt to the bank or to the government; and the paper-currency is presently exchangeable at market for marketable and variable prices of bullion, or of other commodities. The value of merchandise to be had in exchange is not determined by that of gold and silver. These are no longer requisite and indispensable subjects of British commerce. Corn alone is now the one indispensable article of traffic in Great Britain.

There is, no doubt, a subsisting demand for bullion among other materials of manufacture: that is, for plate and for plated ware, for use and for decoration. But this is a mere secondary object in the commerce and dealings of the empire.

There exists moreover a carrying trade of bullion. The British commerce, in course of its multifarious dealings, has to seek bullion in one place, where it can be best spared, to convey it thence to some other quarter where it is more needed: or to transfer it in payment of foreign debt; received in discharge of one, delivered in liquidation of another. A portion of the carried bullion rests during its transit, constituting a stock in hand. Important as this traffic undoubtedly is, it yet can be but secondary, when compared with the unceasing occasion for bullion in any country where this is the chief medium of circulation.

Wherever gold and silver occupy that prominent place in the local currency, they must be a main article of traffic. All internal commerce there bears direct reference to species. External commerce is intimately concerned with it. If there be a deficiency of bullion coined or uncoined, it must be sought for and fetched from places where it may be procurable. If

there be a redundancy, it must be carried away to places that have greater need of it. Command of it enables the nation or the individual to purchase what is wanted or desired; the fruit or the performance of labour. Need of it induces the nation or the individual to part with something possessed, labour or fruit of labour, whereby it may be obtained.

But in countries where gold or silver is not a part of the circulating medium, each is wanted only for its uses among materials of manufacture, as a metal wrought or to be wrought; or for the carrying trade of bullion.

In Great Britain, while bullion furnishes no part of the currency unless for small change, the occasion for it is almost confined to its purposes as merchandise, and is neither general nor incessant. The principal and important article of traffic, for which there is unceasing occasion, is corn. It is the chief object of husbandry; and (if I may be allowed to use the term in a comprehensive sense for the sake of avoiding circumlocution, employing the single word to signify the vegetable nutriment of man, whether cereal grains or farinaceous roots;) it is the chief means of sustenance of the people. Any thing else may be dispensed with and foregone. Corn alone is always inevitably requisite: and there-

fore it is the natural standard by which the value of every other thing, unless among pastoral and hunting tribes, is regulated, when there is no other conventional standard possessing intrinsic value.

It must be indeed admitted, that in long periods the chief article of human nourishment, or in a word, corn, is a measure of the value of other things, not excepting gold and silver: and that bullion is not for a large period a standard of the value of corn. But corn does measure, if not with precision, yet with greater approach to exactness than any other single matter, the worth of labour; and this measures the cost of production and value of commodities produced. It is a true criterion of value, apart from the consideration of rarity and predilection.

A bank-note, or other piece of currency, not being convertible into gold or silver, but merely conveying and assigning a credit in account or right of presenting it in discharge of debt, is not referrible for a measure of its value to the species or denomination borne on the face of it; but to the goods, merchandise or commodities, which it can purchase in market; and chiefly corn, which is merchandise universally in request. The currency, which has been described, does not measure the value of commodities, though

it serve for a medium of comparison between goods of various sorts. The value of commodities in market measures that of the currency. A bank-note at any given time is worth just so much corn or merchandise as it will then purchase.

Its worth would be as variable, as the fluctuations of market, were this entirely unrestricted. No guide of estimation could, in such case, be indicated, besides experience of the past, and probable conjecture of the future, market prices. But laws, regulating importation of corn, do furnish some points of a scale for estimation of a currency, relatively to which its importation is regulated. Under subsisting rules, which sanction the vend of imported corn, when the price of wheat is eighty shillings per quarter; barley forty shillings; rye, &c. fifty-three shillings; and oats twenty-seven shillings, a bank-note of one pound sterling is, in ordinary circumstances, or at a mean, worth two bushels of wheat; four of barley; nearly six of oats; and about three of rye, &c.

If the home growth of corn, or those sorts in particular, which are chiefly consumed, be just sufficient, or very nearly so, the value of a bank-note in exchange for corn may be expected to conform pretty exactly to that standard. In

such circumstances the value of bullion will be regulated by the carrying trade of it; disregarding, as comparatively insignificant, the demand for gold and silver among materials of manufacture, or as metals wrought or to be wrought.

But if the home growth be insufficient, the price must rise above the standard fixt by the corn-laws, to legalize supply by importation. A bank-note of a pound sterling no longer represents two bushels of wheat and four of barley; or six of oats and three of rye: but a certain other proportion of each of them. It represents perhaps one and a half, or one and three quarters of the bushel of wheat, or such other ratio as the enhanced price manifests.

The value of the bank-note is now altered with reference to gold and silver, although no change should, in other respects, have taken place in the commerce of bullion. For a change must be produced in that trade and in its general market, although no other circumstance should occur to produce it, besides unusual importation of corn.

Since that importation takes place in no ordinary but extraordinary state of commercial relations, it must be met by an uncommon export of merchandise; bullion or other commodities. The goods must be sold unusually cheap to in-

duce an unusual demand for them. An uncommon impulse is given to the trade of bullion. It must be sought and procured with the offer of goods at reduced prices. Hence the anomaly of increased demand tending to diminution of price of all exportable goods. Bullion is in request at advanced rates. A vent for other commodities is open at lowered prices. The bank-note then purchases less gold and less corn than before; but as much or more of other goods, than it previously did. Every thing is depreciated except bullion and corn.

This course does necessarily take effect, not only when all sorts of agricultural produce are scarce by reason of scanty harvests; but also when any one species of corn is deficient which can be deemed indispensable. Though wheat be abundant, yet if barley or oats be deficient, then the value of the paper-currency is determined by that deficient sort. The bank-note of one pound sterling, which continues to represent two bushels of wheat, now represents less than four of barley, or than six of oats. It is equivalent to some other proportion; perhaps three and a half, or three and three quarters of the bushel of barley; possibly five, or five and a half of oats. The paper-currency then is depreciated in respect of an imported species of corn; and

in respect of bullion also: while it continues to maintain its value relatively to other and unimported corn: and this therefore, with every other species of agricultural production, is consequently depreciated equally and at the same time with the paper currency and exported commodities.

If the home growth of every sort of corn be in any season more than adequate to the national wants, then indeed the bank-note will represent a larger quantity of corn. The surplus of produce now causes a glut in the domestic market. It is not likely to find a vent into foreign countries; where corn is habitually cheaper than in Great Britain. The surplus must be stored here for future use; and mean time it overstocks the granaries, and lowers the price of grain below the standard of the corn-laws; and very much so, if the excess of the supply above the demand be great.

In this case the bank-note of one pound sterling no longer represents two bushels of wheat, and four of barley; or six of oats and three of rye, &c.: but some other ratio; perhaps three bushels of wheat; possibly five of barley; mayhap seven of oats, or four of rye, &c. The value of the bank-note is a mean of the several proportions, at which the various sorts of grain find purchasers at market.

The carrying trade of bullion, now experiencing no unusual impulse, is pushed with no extraordinary briskness. Gold and silver are moderately in demand for their uses as metals. There is not any circumstance operating, that should enhance the price of bullion. It is therefore reduced to the rate, which the demand for it throughout the commercial world may just then assign to it, and of which it finds the level by means of the carrying trade.

The value of the paper-currency relatively to corn has now been increased: and the bank-note can purchase a greater proportion of bullion than it previously did. The price then of all sorts of commodities, as reckoned in the paper currency, must decline; but without inducing an increased demand for them. Since the foreign trade is diminished, and the means of the agriculturist unaugmented.

In either case, then, of the price of corn exceeding or falling short of the standard assigned to it by the corn-laws, a reduction of the price of merchandise adapted to foreign trade, is the result; attended however with diminution of the demand for such merchandise in the one instance, and with enhancement of the price of bullion in the other.

It is only while corn of every sort continues to

bear a mean price, that the level of trade can be maintained; and matters may proceed in an even course. Then and then only can the value of bullion and currency be the same; and the prices of the necessaries of life, and of merchandise adapted to exportation, be equable and uniform.

The subject has been thus far viewed as from a British station. The purpose of elucidation may be served by next contemplating it for a moment, as from a remoter and foreign point of view.

The value of British paper-currency being referrible to definite quantities of corn, its worth in foreign countries is deducible from that of corn which can be sent thence to Great Britain. The foreign debtors of England, or the purchasers of its merchandise, can discharge their debts, or make good their purchases, with continental corn subject to the charges of transport, and worth in England more than the mean rate of the paper-currency, whenever the ports may be open for corn to be forthwith sold; but less than that rate, when import is admissible only for storing in granaries, to await during an indefinite term permission for the sale of it.

If the admission of corn for an immediate sale

were a rare occurrence, the remote contingency of its admissibility would greatly affect that result; so as to do away perhaps the consequences of inequality. But, if admission be so frequent as to be counted upon as a proximate event, the deduction to be made for contingency will be less considerable, and the value of the paper-currency will more nearly approximate at all seasons to the cost of foreign corn sent from abroad to England.

When the ports of Great Britain are actually open, the value of the British currency in foreign exchanges must be governed by the cost of foreign corn sent to England. The purchaser of British commodities, or the debtor abroad, can liquidate the debt, or complete the purchase, with such foreign corn: and the value of the debt is no greater than the cost of so much as will serve to effect its discharge.

While the ports are closed to imported corn for immediate sale, the foreign exchanges must still be influenced by the cost of foreign corn, subject however to a deduction for the contingency of the early or distant admissibility of it.

The foreign trader then can estimate the British paper-currency at no more than the cost of corn in a foreign market, whence he could cause

a sufficient quantity of it to be conveyed to England for the purpose of a remittance, subject to charges of transport as incident to such remittance, and subject likewise to a suitable deduction for the period that is to run before the remittance becomes effectual. That period is a short one when the ports of England are open to importation for immediate sale. It is longer, indefinite and contingent, when they are closed.

Foreign exchanges must be influenced, if not primarily regulated, by the difference of the price of corn in Great Britain, and at the markets whence its foreign supply is chiefly supplied.

It may be here remarked, by way of incidental observation, not however altogether foreign to the main subject, that the subsisting rules, which regulate the importation of corn in Great Britain, operate as a grant of a premium, and a very large one, upon imported corn, whenever the vend of this for domestic consumption becomes lawful. The cost of its production in foreign countries being much less than it is in England, the price at which it may be imported, so as to afford competent profit in ordinary course, is very much short of the rate which authorizes the vend. The difference is a premium

to the importer, shared between the British trader and foreign supplier. So much of it, as is obtained by the latter, is a tribute, which Great Britain pays to the foreign granary. So much as remains with the former, is an impost levied on the consumer for the benefit of the speculator.

Before we proceed to consider the probable effect of the same causes, as they will operate after the resumption of cash-payments, it may be advisable to pause over a few observations concerning the necessary preparation for it.

To that end it is requisite, not only that the Bank should be provided with a sufficient fund of coined money to face the probable demand for it, upon ordinary estimates of banking, with reference to the quantity of bank-notes to be kept in circulation; but it is likewise necessary, that a sufficient amount of coined money should be further provided, to supply the general wants of circulation concomitantly with a currency of bank-notes; and over and above the ordinary stock of bullion in hand, for the carrying trade of it, and for the supply of wrought gold and silver.

The amount, which will be now requisite for that purpose, must assuredly be greater than the whole quantity of circulating coin as current before the enactment of a restriction on cash

payments. That has been estimated at twenty millions of pounds sterling: and it will not be thought an extravagant supposition, that half as much more, or thirty millions sterling of gold and silver, may be now requisite for the same purpose. Coined money must take the place, not only of notes of the Bank of England, but likewise of notes of country banks in districts of Great Britain, where notes of the Bank of England have none or scarcely any circulation. The amount of coined money, which will be wanted, cannot therefore be estimated from the circulation of the Bank of England alone.

The smaller part of that amount will suffice for the banking stock of the Bank of England. The greater part is requisite for more general wants of circulation.

It is a mistake, and not an uncommon one, to suppose, that, because the Bank has been a gainer by the restriction of cash-payments, therefore that body must be the loser by the resumption of such payment, and bear all the expense of it. No doubt the Bank must defray the charge of providing the quantity of species necessary to the transaction of its ordinary business under the circumstance of renewed liability to a call for coined money. It is understood to have done so. But the expense of providing the quantity

needed for general circulation must and will fall, as in justice it ought, upon the public or the state.

To replace its issues of coined money, after the restriction shall have been withdrawn, supposing bullion to exceed the mint price, the Bank has but to employ the means which it possesses, to leave no resource to its debtors, but payment in species. It need but curtail the issue of notes for a while, after recalling a portion of outstanding notes by sale of exchequer-bills, or other securities held by it; and the rest of its debtors must find metallic money to make good their engagements. Now it is clear, that the debtor, not the creditor, is the person who must sustain the loss incident to the provision of means of payment. It is he who is to pay, not he who is to receive, who must bear the burden. The Bank, it is true, must furnish coin in the first instance to pay its notes upon demand. But the public must furnish coin in the next instance to pay the acceptances which the Bank holds, and to discharge engagements at their term. The Bank, as should be remembered, is more a creditor than a debtor. Its own notes are indeed payable at sight; and its purchased bills at dates. But these come in course of payment faster than any run upon the Bank, which can

be anticipated, could exhaust its funds for answering the call for coin.

What may be the opinion of the Directors of the Bank, in regard to the interests of that body, as concerned in the question of resumption of cash-payments, the author has not any pretensions to know: but to his apprehension it seems evident, that the notions, with which this great national question has been taken up in a spirit of animosity against that body, are founded in error and prejudice.

Were a metallic currency re-established, the Bank would probably be enabled to maintain nearly as great a circulation of its notes, as it has of late years done: and might be able to do so with a less stock of bullion than it has been for some time provided with. The Bank now reaps a benefit from interest received upon an amount equal to the sum of outstanding notes, abating interest foregone upon the unprofitable amount of gold and silver in its coffers. It would reap a like benefit of interest upon the difference between the circulation maintained and the stock of coin and bullion kept up. As the Bank is understood to have a greater store than it would be necessary to retain as a current stock, that difference, when matters shall have got into

a regular course, would probably surpass the actual excess.

A critical period must, no doubt, be gone through by the Bank, and by the public at large, while passing from a paper-currency to a metallic one. The Bank however has nothing to apprehend from it: beyond a mere transitory occasion to forbear a portion of its accustomed gains. The public in general is likely to experience no small revulsion. Yet, as this must be encountered some time or other, if the country is ever to return to a wholesome metallic currency, it may as well be encountered now, as at any future moment, if the period be not especially unseasonable for the public interests. The Bank has not, as a distinct body, any separate concern in this matter.

Among those, who deprecate an immediate return to cash-payments, some appear to rely on the argument of a supposed general scarcity of bullion. Yet, if gold and silver be universally scarce; which, considering the disturbed state of the countries in which the most productive mines of gold and silver are situated, and the consequent diminished supply of these metals, may not improbably be true, the resumption of cash-payments would but place England on a par with the rest of the world. A general re-

duction of prices must ensue, if a general deficiency of bullion exist. The main inconvenience, which must arise from England's participation, will be the contrast between British currency and that of other countries, with reference to corn, being thus rendered more glaring and more burdensome.

With no great depth of sagacity it is easy to foresee a future excess of supply, much surpassing the present defect. When tranquillity shall have been restored in Spanish America; and when, as a consequence of its restoration, science with its modern improvements, with the steam-engine and with skilful metallurgy, shall have penetrated into the mines of Mexico and Peru, the supply of gold and silver will be as much too abundant, as it is now too scanty. An eventful change in the value of silver and gold may be therefore anticipated, though its probable date cannot yet be assigned. Every thing must then become dearer, just as it now grows cheaper. It cannot surely be proposed to postpone a return to metallic currency in England, until that great revolution shall have commenced.

If, indeed, there be a prevalent scarcity of gold and silver at present in other countries, as in England unquestionably there now is, that

scarcity, so far as England is concerned, must be in part ascribed to a hoard of bullion, withdrawn from commerce, and unprofitably laid up in the coffers of the Bank. Let that be thrown into the market, and the actual scarcity will be relieved by it: and most likely bullion may ere long be repurchased at more equal prices.

Much regret has been expressed repeatedly, and from divers quarters, that a large sum of coined gold should have been issued from the Bank, (no less than six millions sterling within the last three years,*) which instantaneously disappeared from circulation. The promptitude, with which it vanished, has indeed been not a little instructive. It has no doubt been exported for bullion. But surely it has not been therefore unserviceable. For it has gone towards the liquidation of an unfavourable balance. Had it remained in the coffers of the Bank, with the rest of the gold and silver provided as a preparative for returning to cash-payments, just so much of the unfavourable balance would have continued undischarged, burdening the commercial relations of the country. The foreign exchanges

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* See printed returns to Parliament. The amount seems to be £6,227,345. But there is some discrepancy in particulars.

would have so much the earlier grown to be still more disadvantageous to Great Britain.

That issue of gold coin did not serve, as must be confessed, the purpose for which it was put forth—to commence a renewal of metallic currency. But it restored to the market gold which had been withdrawn from it, and which was needed in it. The supply did tend to keep down the price of bullion in the market; which was a very desirable end. It enabled British purchasers of bullion abroad to obtain gold, for a while, at less advanced rates than they must else have given in the sterling or nominal designation of British currency.

Has no part of the present hoard of gold at the Bank been collected since that issue of gold coin began? Has none been accumulated during its continuance? To that very issue of coin from the Bank, improvident as it has been deemed, must be mainly ascribed a prolonged moderation of the price of bullion; during the continuance of which, requisite supplies were obtained from abroad; and may or might have contributed to replace to the Bank that unavailing issue of coin.

The national loss attending the transaction has consisted in the expense of coinage. It is a dead loss to the state, or apparently is so,

supposing the gold coin to have been melted down. Much of it, however, was carried abroad unaltered. A part of that export continues to move in the foreign carrying trade of bullion, as Portugal gold and Spanish dollars do in our own. Whatever remains unmelted will certainly revert to England, whenever the foreign exchanges shall turn in its favour. No loss then need ultimately to result from the export of unmelted coin: which is but pledged or deposited abroad, to be redeemed or recalled at a future time. The detriment is confined to so much as has been converted into another shape; and which is alienated under a loss of the whole charge of coinage.

A question may here be proposed, not undeserving of consideration; whether it might not be expedient for the public interest, to draw forth the store of gold and silver, which is at present retained in the Bank; although the resumption of cash payments, with a view to which it has been there accumulated, should continue to be for a while deferred. The very step, which was taken as a preparative for the return to cash-payments, becomes in its turn an obstacle to the accomplishment of that important object. It has contributed to produce a scarcity, which conversely prevents the completion of

the purpose for which it was undertaken. That hoard is now at best useless. According to the subsisting law, it is not to be applied to the purpose for which it was laid by, until six months hence; and according to the intentions of the ministers of the crown, until more than a twelvemonth from this time. Meanwhile public relief would be afforded by lending it, in way of accommodation, to be repaid in kind before the appointed time for the discontinuance of the Bank restriction. It is but necessary that the public voice, through its legitimate organ, should authorize the Bank so to apply its hoarded gold to the relief of the public exigency.

The retention of a hoard of gold and silver, while bullion bears an exorbitant price, (the destined use of that fund being yet remote,) seems to be much such policy, as the keeping of a well stocked granary closed during an urgent famine, and until an abundant harvest shall have been reaped: not merely to a later period of the dearth; but purposely and professedly until the scarcity shall, by other means, be relieved and cease: not for more urgent exigency; but for use after the cessation of urgency. The store of gold and silver is not to be employed until the price of bullion shall fall; when it might be easily replaced, were it now issued. Mean time

it is withheld; and the withholding of it helps to prolong the scarcity, which originated in the withdrawing of it.

That hoard of gold, however, is not alone an adequate provision to enter at once upon the re-establishment of metallic currency. Enough of gold, as of silver, must be first provided to serve all the purposes of that metallic circulation: not a mere sufficiency for the ordinary course of the business of the Bank after the complete restoration of a gold currency.

When the wants of Great Britain, by the re-establishment of metallic currency, shall have been superadded to that of the rest of the world, unquestionably this increase of occasion for bullion must add to its value, and proportionally reduce the price of all other things; not in England alone, but in the market of other countries likewise. Supposing, for illustration's sake, that the resumption of cash-payments in England raises a want of thirty millions sterling, and that the whole quantity in circulation in countries with which Great Britain extensively deals, is three hundred millions: then bullion will be enhanced one tenth; and all other things depreciated in like proportion.

The whole requisite quantity not being actually present in England, it must be pur-

chased from abroad by an extraordinary export of goods. This cannot be effected on the sudden, by merely willing it. The purpose must be accomplished by course of trade in a period of years. Whether this can be done at the same time that an unusual export of goods takes place in payment of imports of corn, may seem problematical. It would not perhaps be unreasonable to surmise, that no period can on probable grounds be assigned for the completion of such an import of bullion, (divested as England has been of its metallic currency,) as would place it on a par with the rest of Europe (which has preserved one,) earlier than that of the British corn trade having found its level.

That level it cannot find, until a large experience has determined the average import of corn in respect both of time and of quantity. This experience can be but slowly gained. When it has been acquired, the trade, though fluctuating from brisker moments to a duller condition, will partake of the nature of a permanent though unsteady traffic. Mean time the occasional recurrence of extraordinary import of corn, and correspondent export of goods, interrupts the progress of another but temporary traffic, consisting of an extraordinary export of goods for a correspondent import of bullion.

This brings us to the consideration of the remaining point proposed for examination,—The effect of fluctuations in the price of corn after the resumption of cash-payments at the Bank of England.

If the price of corn do not exceed the standard fixed by the corn-laws, no importation consequently takes place. The price of bullion will now be governed by the course of the carrying trade of it. In ordinary times, as in peace, its fluctuation cannot be very great: no such urgency of commercial wants can be anticipated as should cause any great variation in the price of bullion, unless some emergency occur in another country that has extensive dealings. An unusual demand being created elsewhere, the prices may be here affected by it. But even the difficulty of supplying an uncommon want is no small check on it, tending to depress it and keep it within bounds.

When the price of corn (intending by that term what is convertible into meal for food of man) does exceed that standard, a supply of the necessaries of life must be sought, and will be so, even on exorbitant terms: and, as the ordinary price of corn in England exceeds even extraordinary prices abroad, the advanced rate at home can scarcely fail of commanding the supply.

Payment of it must be effected by a more than usual export of goods; and among the rest, and perhaps foremost among them, with labour.

The frequent recurrence of this exigency cannot but excite a continual expectation of it. The course of trade will be adjusted consonantly to that expectation. Goods will be taken upon credit at foreign markets with an indirect view to a payment in corn, which shall be effected when an opportunity occurs for doing so with the whole benefit of the premium, which our corn-laws virtually grant upon importation. Goods will be sold upon credit in contemplation of remittances to be effected when the granaries shall be open for the sale of foreign imported corn, and when the ports shall be open to the importation of corn for immediate sale.

By corn then will the foreign exchanges be regulated. The balance of trade, as concerns other merchandise, must be made good with corn. The balance of debts, when in favour of Great Britain, must finally be liquidated by remittances of corn; when unfavourable to it, must provisionally be discharged with bullion. Corn becomes the ultimate object of transactions of British commerce, however circuitously: and it ultimately determines the value of currency, and necessarily governs foreign exchanges.

But the ounce of gold, which in England, by operation of law, represents little less than a quarter of wheat, and the ounce of silver, which in like manner represents a little more than half a bushel of the same sort of grain, do not in any other part of Europe stand for so much as two thirds or half of that value.

There must be a constant tendency then of those metals, easily transportable as they are, to move from a country where they are undervalued, to another in which they bring a greater value. England therefore must always be understocked with bullion. No more can at any time be willingly retained, than is quite unavoidable: and any the slightest unusual call for it, must find a deficiency, and have the consequent effect of inducing scarcity. As with other indispensable things, a small degree of further deficiency, coming upon an already scanty stock, and meeting no prompt supply, must be productive of very great enhancement of price.

It is hence inferred, that, after the abrogation of the restriction on issues of coin from the Bank, and after the resumption of cash-payments there, and re-establishment of metallic currency in the realm, England will yet be subject to frequent and distressing fluctuation of the price of bullion, compared to its currency con-

sisting of paper convertible into coin, and of coin not convertible, without breach of the law, into bullion.

Gold and silver, though universally serving for their conventional as well as their intrinsic value, are not the only measure of valuation. Corn measures worth likewise, and more permanently than they do. Undervalued, as they now relatively are, according to the standard here fixed by the corn-laws, the country is, in respect of its currency, much in the same predicament with one that has a portion of debased currency co-ordinate with one more really valuable.

The currency is by operation of law rendered representative of certain average quantities of corn. Paper-circulation, standing for debts which may be discharged with the equivalent of those quantities, does truly represent no more. But gold and silver, having an intrinsic greater value, as vendible abroad for more than the equivalent of those quantities, is a currency of more real worth. Both cannot long remain in circulation together. The gold and silver must give place to paper-currency, and leave it in sole possession.

It has been thought and alleged, that the Bank of England possesses the ability of restoring, at any time, the par of paper-currency and

bullion, by the simple expedient of contracting its issue of bank-notes; and would be compelled by a prudent regard for its own interest to do so, were its notes made convertible into coined money: or, in other words, that the steps, which must be taken by the Bank, whenever bullion rises much above the Mint price, to make its prompt resources of coined money suffice, and to protect itself from a run upon it for gold, would re-establish the par of foreign exchanges, by raising the value of its paper-circulation to a level with the price of bullion in market.

That notes of the Bank of England, convertible into gold coin upon demand, must keep pace with the value of bullion, so long as confidence in the solvency of the Bank endures, is a position not to be controverted. That they should continue to do so, down to the very last note suffered to remain in circulation, is undeniable. The debtor of the Bank must purchase its notes or else metallic currency at the price of the latter, which is nearly the same with the price of bullion, to fulfil his engagements to the Bank. He must give nearly the same premium on one as on the other.

In ordinary circumstances this may doubtless suffice. If all the gold and silver, coined and uncoined, which is present in the whole country,

be more than adequate to the foreign demand for bullion, the par of exchange will assuredly be restored, and probably be soon turned, and exchanges incline the other way, until a competent quantity of gold and silver be brought back.

But if the foreign demand for bullion exceed the actual quantity of gold and silver in the realm; if its resources of metallic money and of bullion be inadequate to the craving of the foreign market; what then is to ensue? Every note of the Bank of England will certainly be withdrawn from circulation. What then is to follow?

It is, however, contended, that, before matters could arrive at that point, the whole quantity of the paper-circulation must have been reduced in proportion to the reduction of the Bank-circulation: and its value proportionately augmented with its scarcity. Goods, consequently falling in price, would become available for exportation to satisfy the foreign debt.

The reasoning, which supports the argument alluded to, may be quite satisfactory and conclusive, if all the data be conceded; if things remain in other respects as they are; or as, for the argument, they are supposed to continue.

But it is not by any means clear, that the paper-circulation in general, whereof bank-notes

are but a part, shall precisely follow the lead of bank-paper.

The paper-circulation of Great Britain, besides notes of the Bank, consists chiefly of exchequer-bills payable at a future and not precisely definite term; and, in the next place, private acceptances payable at limited dates; and lastly, notes of private banks and of individuals, likewise payable on demand.

Exchequer-bills, which in their amount much exceed the whole circulation of the Bank of England, are not subject to an immediate exaction of payment. They are liable to unlimited depreciation: not being convertible into money at the will of the holder and at his own time, but at a period determined by the debtor instead of the creditor.

Private acceptances at short dates are more nearly on a footing with notes payable on demand. At the expiration of the term they fall into the same class with them.

These are indeed exigible forthwith: and must be discharged either with coin, or with notes of the Bank of England, or with the set-off of some other transferable demand.

If this alternative did not exist, the expectation entertained, that a diminution of amount in the circulation of the Bank of England's notes shall

enforce a like reduction of notes of country banks and a general diminution of paper-circulation, might be well founded: provided no other expedient remain to the private circulator.

Without stopping to inquire whether other expedients may probably be devised and are likely to be adopted, it is enough for the argument to observe, that the alternative, which has been mentioned, cannot be excluded. In a scarcity of money, it is not impracticable to have recourse to an exchange of debts and barter of credits, for the liquidation and adjustment of all pecuniary transactions, in like manner as recourse is had to the barter of goods under circumstances of scarcity of currency.

The prevailing practice of country banks, and their mode of dealing, together with the manner in which a daily settlement of accounts is effected among bankers in London, have paved the way for the complete introduction of a system of barter and exchange of debts and credits: by which a common medium of currency, unless for small change, may be entirely dispensed with.

Notes of country banks are payable in London or by drafts on London. They are there paid, like payments originating in London, at the houses of bankers. The holder of the draft

pays it to his banker, has credit for it, and draws against it for any payments which he himself is to make good. The London bankers mutually settle daily their accounts of the day; and the final balance of the whole account among the whole body, may as easily be adjusted by a transfer of credit with the Bank of England covered by unexpired bills previously deposited with the Bank, as by actually passing notes of the Bank from the hand of one banker's clerk to that of another. The practice of opening an account with the Bank, and maintaining a credit there by a deposit of discountable bills, is an established one: and nothing can be easier than such an use of it.

In the whole of these transactions not a piece of money, nor a Bank of England's note, is needed. All is effected by transfer of credit among parties step by step known to each other. It is only for small payments, and between parties not known to and trusted by each other, that a current medium of circulation is indispensable.

In every part of Great Britain, besides London and its immediate vicinity, with a single distant county, that want is supplied by notes of the country banks. It appears by no means improbable, that as fast as notes of the

Bank of England shall be withdrawn, notes of country banks will take their place in the more distant as well as in the nearer range of the currency of the metropolis, if not within the metropolis itself. A much less circulation of Bank of England's notes may suffice, as their place becomes supplied by circulation of country notes: without any consequent diminution of the aggregate amount.

On the extreme supposition, which has been before admitted, that the Bank of England may be driven to withdraw the whole of its notes from circulation, it yet does not follow, that no device or contrivance may be hit upon by private persons to furnish the metropolis with a paper-currency in the absence of bank-notes and metallic-circulation; or that the urgency of the public wants may not give birth to the introduction of a substitute, without deliberate art or contrivance, and simply in a natural course as a result of the emergency.

In less exigency, recourse has formerly been had to the issue of tokens by individuals. Other means, not contrary to law, might be now pointed out as likely to be resorted to, if the object of these speculations were to suggest a prospective remedy for a contingent evil.

Enough has been said to show, that it is far from an admitted truth, that all the data, upon which the reasoning here controverted was founded, can be assumed as certain and inevitable.

If there were no other criterion and measure of the value of paper-currency besides its scarcity or abundance, then the argument for an expectation, that its value shall follow the scale of its copiousness, might be just. Perhaps when that argument was put forward, it might be entirely correct; no other criterion existing, besides the standard value of the denomination of money borne on the face of that currency. But paper, whether consisting of Bank of England's notes, or exchequer-bills, or private acceptances, or country notes, represents debt, or an obligation of payment; which will be fulfilled by transfer of a credit in nominal money, that is, the pound sterling; the value of which is now fixed at the mean price of divers sorts of corn: two bushels of wheat and four of barley; nearly six of oats and three of rye, &c.

Bullion may fluctuate in price; gold and silver may be scarce or abundant; both may disappear from circulation: bank-notes may follow in the train, and be withdrawn from circulation: all the while the mean worth of the pound of sterling remains, amidst the vicissitudes of metal-

lic currency, regulated and determined by the average price of corn.

The pound sterling is not a fourth part (more a few grains) of an ounce of gold; nor is it a little less than four ounces of silver; but it is the mean price of two bushels of wheat, and certain other proportions of other grain.

Vain then will every endeavour be to establish and preserve a metallic currency, while the real standard of the value of money is corn, and not gold nor silver. The endeavour may be attended with serious inconvenience. It may produce much uncertainty and confusion: much distress and difficulty. It cannot be effectual: until the corn-laws are altered, and the pound sterling is measured by gold and silver, instead of wheat and barley.

I am not unapprised of very cogent reasons against re-agitating the important question of the corn-laws. But, if indeed it be forbidden in prudence to amend those regulations, we must be content to abide their consequences: among which the most prominent is an utter impossibility of retaining gold or silver currency, while the regulated price of corn materially differs from its arbitrated price and true value in exchange for bullion; and an emergent call for

importing a foreign supply of necessaries of life is matter of occasional recurrence.

It is with a deep sense of the vital importance of these topics, and the intimate relation between them, that I have ventured to touch upon the subject. It is one that should be approached with no bias or prejudice; with no party feeling, nor personal animosity; with no selfish sentiment; no tincture of resentment of the past, nor angry anticipation of the future.

If the public interests require, that an arbitrary value of agricultural produce should be maintained, to uphold the national income, and support the revenue of the state which is derived from it; and thus enable the nation to bear its burdens and fulfil its engagements; be it at the same time felt and remembered, that to maintain that arbitrary value, an artificial currency must be supported.

If the public interests may be better consulted by promptly returning to the wholesome condition of a metallic currency, upon par with the rest of the civilized and commercial world, be it understood and recollected, that the price of every other commodity, of labour and all its productions, must adapt itself to the same level. By that par, and by no arbitrary value, must be de-

termined the worth of agricultural produce, the amount of the national income derived therefrom, and the sum of the public revenue levied.

Whether the nation may be able to face its engagements, and support the consequent burdens, is matter for serious consideration. If it be impracticable to accomplish the one object consistently with the other, what course is to be followed to shun impending evils?

To pursue this subject through all its bearings, and thoroughly examine the momentous question, is beside the purpose of this essay. Profoundly impressed with the notion of an intimate connexion between two matters, one of which is a topic of universal disquisition, while a prevalent disposition is apparent to blink the other as a hazardous and unwelcome question, I have been desirous, with deference and caution, to convey to the minds of others the impression which is deeply felt by myself.

Let the option of prolonging an artificial state of currency, or reverting to the more natural condition of it, be well weighed and dispassionately determined. But let it not be forgotten, that another, and not less momentous, question is involved in the decision; that the choice lies between artificial currency, together with a great income drawn from sources raised to an artificial

elevation, or the re-establishment of natural prices with metallic currency and reduced national income. One part of the election is inseparable from the other. Let that be chosen, which is most conducive to the public interests: and let that option be made without fear or favour.

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